

Message Text

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EXDIS - USOECD FOR COOPER, SOLOMON, AND BOSWORTH

E.O. 11652: GDS

TAGS: ECIN, ENRG, SA

SUBJECT: CROWN PRINCE FAHD VISIT: CIEC

SUMMARY: MAY 24 DISCUSSION OF CIEC RESULTED IN SECRETARY'S SUGGESTION THAT US AND SAG GIVE FURTHER THOUGHT TO QUESTION OF ASSURING A LINKAGE BETWEEN ENERGY DIALOGUE AND OTHER ECONOMIC ISSUES CURRENTLY BEING HANDLED IN CIEC FORUM AND DISCUSS THIS QUESTION AGAIN BEFORE MINISTERIAL SESSION BEGINS. CROWN PRINCE FAHD URGED THE NEED TO CONTINUE IN SOME FORM THE ESSENCE OF CIEC.

1. SECRETARY'S MAY 24 LUNCHEON WITH CROWN PRINCE FAHD AND HIS DELEGATION PROVIDED OPPORTUNITY FOR DISCUSSION AT
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SOME LENGTH OF CIEC. PARTICIPATING IN DISCUSSION WERE DR. BRZEZINSKI, DEPUTY SECRETARY, UNDER SECRETARY COOPER, AND TREASURY UNDER SECRETARY SOLOMON ON US SIDE AND FOREIGN MINISTER PRINCE SAUD, OIL MINISTER YAMANI, AND FINANCE MINISTER ABA AL-KHAYL ON THE SAUDI SIDE.

2. AT SECRETARY'S REQUEST WE OUTLINED US VIEWS ON PROS-

PECTS FOR CIEC INDICATING GUARDED OPTIMISM US WOULD PUT TOGETHER A RESPECTABLE PACKAGE. WE NOTED PROSPECTS FOR A NUMBER OF COMMODITY AGREEMENTS AND FOR INCREASED QUANTITY AND QUALITY OF US CONTRIBUTION TO DEVELOPMENT ASSISTANCE.

WE TOUCHED ON "SPECIAL ACTION PROGRAM" FOR THE 30-40 POOREST COUNTRIES INDICATING THIS WOULD BE CONDITIONAL ON SUCCESSFUL CIEC OUTCOME AND NOTING OUR SPECIAL EMPHASIS ON ASSISTANCE FOR AFRICA. WE NOTED CONSENSUS OF COUNTRIES WITH WHICH WE HAD TALKED THAT CIEC SHOULD BE WRAPPED UP WITH THE INDIVIDUAL KEY ISSUES UNDER DISCUSSION IN CIEC FARMED OUT TO APPROPRIATE INTERNATIONAL AGENCIES FOR WHICH CONTINUED INTERNATIONAL DIALOGUE IS DESIRABLE BUT FOR WHICH THERE IS NO READILY AVAILABLE FORUM AND INDICATED WE ARE OPEN TO SUGGESTIONS AS TO HOW BEST TO PURSUE THE ENERGY DIALOGUE POST-CIEC.

3. SAUDIS PRESSED THEIR LONGSTANDING POSITION THAT ENERGY DISCUSSIONS SHOULD NOT BE ISOLATED FROM DIALOGUE ON OTHER ECONOMIC ISSUES AND THAT HENCE THEY WANT THE CIEC "PACKAGE DEAL" CONCEPT TO CONTINUE. THEY NOTED MOVEMENT IN THE ENERGY DIALOGUE WILL BE RESTRICTED BY ITS SEPARATION FROM THE OTHER ISSUES AND SOUGHT CLARIFICATION OF WHY WE CONSIDER CONTINUING THE ENERGY DIALOGUE IMPORTANT. US SIDE EXPLAINED IT WOULD BE ANOMALOUS TO DISCUSS OTHER INTERNATIONAL COMMODITIES WHILE IGNORING WHAT IS IN EFFECT THE WORLD'S MOST IMPORTANT "COMMODITY" -- ENERGY. THERE IS NEED TO DEVELOP A GLOBAL VIEW ON SUCH QUESTIONS AS CONSERVATION, DEVELOPMENT OF NEW RESOURCES, AND THE GENERAL SUPPLY/

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DEMAND PICTURE. THERE HAS BEEN LACK OF SPECIFICITY TO DATE IN ENERGY DIALOGUE AND WHILE WE DO NOT REGARD CIEC ENERGY COMMISSION AS A PLACE TO BARGAIN WITH OPEC OVER PRICES, WE SEE NEED FOR ONGOING DIALOGUE ON IMPLICATIONS OF PRICING.

4. STRESSING THAT US HAS NO FIXED IDEA ON HOW BEST TO CONTINUE ENERGY DIALOGUE WE NOTED THREE ILLUSTRATIVE EXAMPLES OF HOW IT MIGHT PROCEED: (1) A FREE-STANDING COMMITTEE WHICH WOULD BE AN EXTENSION OF THE CIEC ENERGY COMMISSION; (2) PUTTING THE ENERGY DIALOGUE INTO UNCTAD; OR (3) A FREE-STANDING COMMITTEE UNDER SOME FORM OF UN/IBRD AUSPICES. WE NOTED THAT DESPITE FEELINGS AMONG COUNTRIES WITH WHICH WE HAD CONSULTED THAT CIEC SHOULD END, WE RECOGNIZE IT SERVES UNIQUE AND IMPORTANT FUNCTIONS OF LINKING ECONOMIC ISSUES AND PROVIDING A POLITICAL/ECONOMIC LINKAGE IN THE CONTEXT OF THE NORTH/SOUTH DIALOGUE. THE SECRETARY INDICATED HIS CONCERN THAT THE CONCLUSION TO TERMINATION CIEC NOT BE PREMATURE. THE SAUDIS REITERATED

THE IMPORTANCE OF LINKING ENERGY DIALOGUE TO OTHER ISSUES
AND SUGGESTED THERE MIGHT BE SOME WAY FOR MINISTERIAL
SESSION TO CALL FOR RECONVENING CIEC AT SOME FUTURE TIME
UPON THE REQUEST OF A CERTAIN NUMBER OF PARTICIPANTS.
CROWN PRINCE FAHD URGED REMOVING THE OBSTACLES TO SUCCESS
IN THE CIEC.

5. THE SECRETARY NOTED THE NEED TO OBTAIN A BETTER VIEW
OF HOW MEMBERS FEEL ABOUT THE FUTURE OF CIEC, OF
GIVING MORE THOUGHT TO THE QUESTION OF ITS CONTINUATION,
AND OF BEING BACK IN TOUCH WITH THE SAUDIS ON THIS
QUESTION BEFORE THE MINISTERIAL SESSION BEGINS. VANCE

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